

84
H. M. Rice Esq^r

With Mr. Cook's compliments
(author)



THE BAIE DES CHALEURS.

HE 2810

B35

B3

THE BAIE DES CHALEURS.

Summary of the Evidence before the Royal Commission.

GUILT OF THE GOVERNMENT.

CONCLUSIVELY ESTABLISHED—DISTRIBUTION OF THE BOODLE—MERCIER'S
CONTRADICTORY STATEMENTS—HISTORY OF THE
WHOLE TRANSACTIONS.

For the information of the public we give the following brief statement of the salient points elicited in the course of the recent enquiry at Quebec which we believe establish against the executive Government of the province, not only the perpetration of an act or course of acts, at once eminently illegal and opposed to the interests of the country, but designed and carried through from improper motives and for the personal and pecuniary advantage of certain members of the executive and their friends and supporters. It is desirable to begin with a narrative of the facts as the proof discloses them.

The Baie des Chaleurs Railway company was incorporated in 1872 by the Quebec act 36 Vic. cap. 43, the object being to build a railway from a point on the Intercolonial near Metapedia to Paspébiac, a distance of 100 miles, and thence ultimately to Gaspé. In the same session, a subsidy was granted it of 10,000 acres of land per mile, which by the act 37 Vic., chap. 2 was converted into a cash subsidy of \$2,500 per mile. This charter was allowed to lapse.

By the act 45 Vic., chap. 53, a new charter was given the company, the promoters and directors being, amongst others, Mr. Theodore Robitaille, Mr. Thomas McGreevy and Mr. Riopel, managing director, and by an act of the same session—chapter 23—the revived company was subsidized to the extent of 10,000 acres per mile for 180 miles. In apparent com-

pliance with the statute, the promoters subscribed for shares in the undertaking to a large amount, and calls were made for a percentage on the subscriptions. By a process which it is unnecessary to detail, the amount of these calls, though apparently paid, was never exacted, and it is the indisputed fact that the company never as such had one shilling of resources beyond public grants and promised municipal subscriptions. It would seem that the promoters bent their energies successfully towards obtaining financial aid from both the Dominion and provincial Legislatures. Before the fall of 1889 Parliament had granted no less than \$620,000 to aid in the construction of the first seventy miles, and the Legislature of Quebec \$350,000 for the same purpose. More than this, the province granted \$280,000 to aid in the building of the next thirty miles—the total grant on 100 miles thus amounting to \$1,250,000, or \$12,500 per mile. By what is termed the doubling up process, although in December, 1889, only sixty miles had been completed, and those somewhat imperfectly, the company had received \$874,175 equivalent to \$14,569 per mile.

THE ARMSTRONG CONTRACT.

On the 9th of June, 1886, Charles N. Armstrong entered into a contract with the Baie des Chaleurs Railway company to build and equip the road for the first 100 miles for the sum of \$20,000 per mile, pay-

able as follows: \$6,400 to be paid out of the Dominion subsidies and \$13,600 per mile in the first mortgage bonds of the company. The agreement provided that if the Legislature—as proved subsequently to be the case—authorized the payment of cash in lieu of bonds, Armstrong should be paid such cash in lieu of an equivalent amount of bonds. On the 9th of June, 1886, Armstrong sub-let a portion of his contract to the firm of McDonald, O'Brien & Co. on advantageous terms, and these gentlemen practically built, and were ultimately, after some difficulty, paid for the construction of the first 20 miles. This sub-contract came to an end in April, 1887, by mutual assent, and the enterprise fell back into Armstrong's hands, and he appears to have done a little work on it in 1887 and the early spring of 1888, when failing to pay his workmen or those from whom he obtained supplies a new arrangement became necessary. So by contract dated 8th June, 1888, between himself and Henry McFarlane, to which the company became a party as joint and several obligee with Armstrong, McFarlane undertook to finish the first forty miles of road, to provide rolling stock to a certain extent, and to build twenty miles of new road, the whole according to prices fixed by schedule. To secure McFarlane, certain subsidies were transferred to him and he was also given a promissory lien on the road. Under his contract, McFarlane finished the first forty miles and nearly completed the following twenty, when for various reasons detailed in the proof he was compelled to suspend his operations and ultimately to assign his estate to curators, Riddell & Watson, of Montreal. Apart from subsidies received by him, McFarlane put into the work money of his own and funds supplied him by the Ontario and Eastern Township banks amounting to a large sum. McFarlane and his curators are now and have been for some time past at law with the company and Armstrong, claiming from them no less than \$318,000 under the advice of the Hon. Francois Langelier, their counsel, and the brother of the provincial secretary. Without encumbering this paper with the details pro and con, it is submitted that the evidence abundantly establishes that McFarlane's claim against both Armstrong and the company under his contract is a valid one, both on legal and equitable grounds, to a large amount, probably to the extent of at least \$175,000.

ARMSTRONG HAD NO VALID CLAIM.

Now, as no work whatever was done on the Baie des Chaleurs road either by Armstrong, the sole contractor in chief, or by any sub-contractor under him, after the early autumn of 1889, it is obviously important to define accurately his position towards the company and towards his sub-contractors, or, in other words, to determine what amount Armstrong would have been entitled to receive from the company and been bound to pay McFarlane, had his contract with the former ended with the completion of the sixtieth mile east from Metapedia. In arriving at these figures, for the sake of simplicity, we shall discard certain considerations making against Armstrong; for example that his contract was to build 100 miles, that the sixty miles were not completed, and deal with his claim as if his undertaking had been limited to the building of sixty miles and no more, and that he had completed such contract so as to entitle the company to issue bonds. Armstrong's pretension is (Exhibit No. 63 p. 342 of the Senate's report) that taking into account, some trifling expenditure on work in excess of the sixty miles, and deducting subsidies received, the balance due him for work done amounted to \$298,943.62 cash and that consequently in settling for \$175,000 he settled for a sum much below that actually due him as admitted by the company. He asserts that on the contract basis of \$20,000 a mile he did work amounting in the aggregate to \$1,260,635 and received on account sufficient to reduce the balance due him to the cash amount just stated. Is this his true position, and, if not, what is? The first consideration that strikes one at a glance is that on Armstrong's own showing, this balance is due him in bonds and not in cash. He himself puts the possible extreme value of the company's bonds at 75 cents in the dollar. This at once reduces his claim by \$75,000. And if we put, as the evidence founded on the experience of railway contractors and promoters establishes, the probable value of the bonds at 33 cents in the dollar—a liberal estimation—the cash value of Armstrong's claim on his own showing becomes under \$100,000. And to obtain these bonds, or their cash equivalent, he had in the first instance to discharge two precedent conditions, to settle the debt due by him primarily and by the company secondarily as his warrantor to McFarlane, established at at least \$175,000, and for which

the latter had the road in pledge, and further to supply the contract pro rata amount of rolling stock on the sixty miles, as compared with the stipulated amount on the one hundred miles. To discharge this latter obligation would have cost him a large sum. And so on his own showing, to obtain \$298,000 in bonds, equal to \$100,000 in cash, he was necessarily bound to expend at least \$200,000 in cash. But this position of his is not the true one. On the statements produced and not disputed, Armstrong, giving him the benefit of the most favorable construction of his contract has been overpaid in cash to the extent of at least \$140,175. On the assumption—the reasonable assumption—that the bonds stand to cash in the ratio of one to three, it is established, incontrovertibly, that taking into account the excess of cash payments, Armstrong was merely entitled to \$45,475, in bonds, being of course still bound to free the road from the sub-contractors' lien and to supply the rolling stock as above stated. Thus on the most favorable construction of his contract and case, Armstrong was, not only as the Senate's committee found, not entitled to anything from the company, but, on the contrary, largely in its debt. The words of the Lieutenant-Governor, in his letter to Mr. Mercier, "that the company owed no money payments to its contractor, Mr. Armstrong," are more than justified by the proof.

THE GOVERNMENT'S LACK OF CARE.

The next consideration is: Had the Government the means of knowing, and in point of fact did they know, the true position of the affairs of the railway, and as to how the company stood towards its contractor and sub-contractors in 1889. The answers to these questions are not doubtful. In the first place it was the duty of the Government to know. The province had spent already and was pledged further to spend an unusually large sum of public money on the undertaking, and it is certain that an excellent business man such as Mr. Garneau undoubtedly is, with full means of information at his command, must have made himself fully master of the situation. Again the road ran through Mr. Mercier's county, and so that gentleman was bound in a double sense to examine into its proceedings. From his speeches in the House, cited in His Honor's correspondence, Mr. Mercier clearly recognized this obligation and had his attention specially turned

to the subject. But more than this, the record of the Public Works department on the company's affairs clearly proves that some members of the executive at least both knew and had full means of knowing. Mr. Charles Langelier was, by order-in-council, dated the 5th of October, 1889, appointed a special commissioner to investigate the company's affairs, and the reports made by him from time to time and printed by order of the Legislature, and specially his report under date of the 26th of February, 1890, which forms part of the record, show in so many words that he recognised and pointed out that the troubles on the road were attributable to the company and to Armstrong, and not to McFarlane, who in his opinion was an able and honest contractor, who had done and was prepared to do his work well, it fairly dealt with by his employers. As the law partner of his brother Francois it was natural that he should recognise the fairness of McFarlane's claim as he did. Again, in 1889, the McFarlane claim was specially brought under the notice of the executive by a formal letter from Mr. Desmarais, M.L.A., of St. Hyacinthe, who accompanied his statement by notarial copies of McFarlane's contract with Armstrong and the company, and of his protest against the latter. Add to this, repeated letters on the subject from the Ontario bank, and the curators, Riddell & Watson, all of which are to be found now in the Public Works record, and it is impossible to entertain the slightest doubt that, as a matter of fact, and without giving credit for any special intelligence to these gentlemen, Mr. Mercier, Mr. Garneau and Mr. Charles Langelier, who had by this time joined the ministry as provincial secretary, were one and all aware in the fall of 1890, that the company had no means apart from subsidies, that Armstrong far from having a claim against the company had received far more than he was entitled to, and that McFarlane had a large legitimate claim, for which he held both the company and the road, and had been thrown into difficulties solely from the improper action of Armstrong and the company. It is unnecessary to press this point further; the subsequent action of the executive, as will be seen, abundantly confirms the conclusion arrived at. The Legislature in 1889, at the instance of Mr. Mercier, authorized an advance of \$20,000 against subsidies earned, and the expenditure of this sum was entrusted, not to the company, not to Armstrong, who were both

distrusted by the Government, but to Mr. Chrysostome Langelier, deputy registrar of the province, with instructions to lay it out in defraying claims against the company, its contractors and sub-contractors.

THE ARMSTRONG-McDONALD PROPOSAL.

While Mr. Langelier was engaged in this task Mr. Heaton Armstrong, a London banker of means and reputation, then in the country, was approached by Mr. Mercier, and requested by him to make an offer to complete the railway from Metapedia to Paspébiac, that is to complete the sixty miles already spoken of and to build the additional forty. Mr. H. Armstrong entertained the proposal favorably and placed himself in communication with Mr. J. J. McDonald, an experienced contractor—a man for whom Mr. Mercier, as appears by his evidence, has the highest opinion—and he, in company with his engineer and a practical contractor, at once examined the line, and made himself acquainted with the affairs and position of the company and its contractors. Mr. H. Cameron, Q.C., of Toronto, also acted as solicitor for Mr. H. Armstrong. In the result, Mr. H. Armstrong, through Mr. J. J. McDonald, made the following proposal:—

1. To complete the first sixty miles except the bridge over the Cascapédia without aid.
2. To build the Cascapédia bridge, with a subsidy of \$50,000.
3. To build the forty miles of road from Cascapédia to Paspébiac for a subsidy of \$400,000, or for \$10,000 per mile, payable \$200,000 on the completion of the first twenty miles and the balance on the completion of the last twenty.
4. To pay out of his own resources at once all the debts of the concern, and to acquire the stock of and satisfy the promoters.
5. To supply adequate rolling stock and to guarantee the running of the road for five years.
6. To deposit \$840,000, with which the Government should pay the interest on the bonds for ten years.
7. The bonds at \$20,000 per mile to be the property of the new contractors.

Under this proposal the \$400,000 was to include and take the place of all previous provincial subsidies voted. This was in October, 1890, and the negotiations connected with it, initiated by Mr. H. Armstrong and continued by Mr. J. J. McDonald on his behalf, lasted a considerable time.

PACAUD COMES ON THE SCENE.

During their course it seemed to be admitted on all sides that the services of Mr. Ernest Pacaud, the editor of the *L'Electeur*, and a warm supporter of the administration,

were essential to success, and that gentleman as a recognized go-between was accordingly called into counsel. Through his intervention the above heads of agreement were rapidly determined on, and Mr. Mercier's assent obtained to the introduction of the necessary legislation. Mr. H. Armstrong and Mr. McDonald arranged for a satisfactory compromise of the McFarlane claim, and all that remained to be done was to settle how much Mr. C. N. Armstrong and the promoters would exact before parting with the control of the company. As difficulties were met with in dealing with these gentlemen, on the 5th of December, 1890, Mr. Cameron, on behalf of Mr. H. Armstrong, withdrew the latter's offer. Negotiations, however, went on, Mr. Pacaud continuing to act in his capacity of go-between, and ultimately during the second session of 1890, Mr. Mercier introduced and carried through the Houses two important measures immediately bearing on the subject, both of which became law. By the first of these, 54 Vic., cap. 37, the executive Government took power to cancel, on grounds satisfactory to themselves, the charter of any railway company incorporated under the laws of this province. This act, as appears by Mr. Mercier's speech introducing it, was aimed in terms at the Baie des Chaleurs Railway company. The second measure, 54 Vic., cap. 88, authorized the Lieutenant-Governor-in-council to grant the following subsidies:—

"[1] To contribute to the cost of constructing the bridge to be built over the Grand Cascapédia river, on the Baie des Chaleurs railway, a subsidy not exceeding in all \$50,000, upon condition that the said bridge be built at the place fixed by the Lieutenant-Governor-in-council, who may order that such bridge be built for the passage of vehicles and foot passengers, as well as for the passage of the railway trains, if he deems it in the public interest.

"[2] To aid in completing and equipping the Baie des Chaleurs railway, throughout its whole length, for the part not commenced and not finished, about 80 miles, going to or near Gaspe basin, a subsidy of 10,000 acres of land per mile, not to exceed in all 800,000 acres.

"Payable to any person or persons, company or companies, establishing that they are in a position to carry out the said works and to supply the rolling stock for the whole road and keep it in good working order, and also on condition that the balance of the privileged debts of the Baie des Chaleurs Railway company be paid, the whole to the satisfaction of the Lieutenant-Governor-in-council."

It is no part of our present duty to criticize the policy or impolicy of acts of the

Legislature, but we venture to assert with reference to the former act, which in its terms takes valuable property out of the protection of the courts and the law and places it under the absolute control of persons who must necessarily be guided by mixed motives, that no measure at once more calculated to shake confidence in investors and excite the cupidity of the dishonest and corrupt, was ever placed on the statute book of our province. Be this as it may, on these acts being assented to on the 30th of December, 1890, Mr. Mercier was in a position to deal summarily with the claims of C. N. Armstrong, Riopel and Robitaille, which he then knew, as we now know, amounted to nothing. The proposal of the London banker was a reasonable one. It afforded a fair means of extricating the road from past difficulties and ensuring its completion on terms satisfactory to all really interested, and liberal to the promoters and C. N. Armstrong. Why then was the action of the latter, whom Mr. Mercier had denounced, and whom both he and Mr. Garneau knew had no substantial claim allowed to block it, more particularly when Mr. Mercier had by the legislation alluded to power to enforce its acceptance by a word? If the legislation was obtained for an honest purpose, surely in view of his past declarations and his approval of the Heaton-Armstrong offer, now was the time to use it. Why did Mr. Mercier not do so? The answer to this enquiry leads to the consideration of Mr. Pacaud's position.

THE TOLL-TAKER'S EXACTIONS.

It is plain from the evidence in this matter that for some years past a general impression has obtained amongst persons having business, and especially business of a financial nature with the administration, that it is essential "to see Pacaud" and accordingly, though one would have imagined that Mr. Mercier and Mr. Garneau could have concided an arrangement with business men such as H. Armstrong and McDonald without the intervention of a newspaper editor, Mr. Pacaud made his appearance on the scene. His remuneration was at an early stage of the proceedings fixed at what most men would consider an outrageously exorbitant sum—\$50,000, for a few interviews with his political friends. Mr. Pacaud thought differently. He at once stated to Mr. J. J. McDonald that this sum was not enough. It is true that Mr. Pacaud denies this and asserts that he

merely expected \$4,000 or \$5,000. In view, however, of the subsequent \$100,000 and of the undisputed fact that his services for obtaining payment of an estimate from the Government to Mr. McDonald of \$31,800 were rewarded by between \$4,000 and \$5,000, it is impossible to accept his assertion. The statement of Mr. McDonald is and was felt to be by all who heard his evidence strictly true. We have therefore Mr. Pacaud from the first dissatisfied with the amount he was to receive as the market value of what he calls his "political influence."

Meanwhile Messrs. Riopel and Charles N. Armstrong, being of course aware of the legislation and the power with which it armed the Government and gentlemen possessing political influence with it, and learning also of the negotiations between Mr. Mercier and McDonald, became seriously alarmed, and it occurred to them, too, that their best course was to apply to Mr. Pacaud. Mr. Charles N. Armstrong had heard from different sources that the McDonald-Armstrong syndicate had arranged with Pacaud for either \$50,000 or \$75,000. And so, in the early part of March last, in an interview with that gentleman Armstrong asked him to act as the agent with the Government for a new syndicate which was in course of formation, to take up the Bale des Chaleurs railway. Mr. Pacaud stated that he was still bound to Mr. J. J. McDonald and his friends, adding that if he were off with them he would be pleased to assist the new syndicate. After this interview of the 5th or 6th of March, no further serious consideration was ever given by the Government to McDonald or his proposal.

THE COOPER SYNDICATE PROPOSALS.

We now come to the new syndicate who actually obtained the road and were Mr. Pacaud's second employers. First of all comes Mr. Cooper, who as a creditor of McFarlane's to the extent of \$18,000 had already an interest in the road. Mr. Cooper's debt was secured by bonds on the road to the extent of \$50,000, which security by the way he valued, as he tells us in his testimony, at \$9,000 or less than twenty cents on the dollar. Among the others were Mr. A. M. Thom, Mr. Dawes, of Lachine, and others, all nominees of Cooper. The leading man was Mr. Thom who had previously learned the nature of McDonald's offer. C. N. Armstrong informed Mr. Thom that he was prepared for \$75,000 to discharge his claim

and settle with the promoters in such a way that the new syndicate by obtaining a transfer of their shares would virtually control the road. Under the J. J. McDonald proposal, Armstrong and the promoters would have received between \$40,000 and \$50,000 only, and thus their support was obtained. Mr. Cooper shortly after this appears to have consulted Mr. R. Laflamme, of Montreal. On the 10th of March, Mr. Mercier being about to sail for Europe, Mr. Armstrong wrote Pacaud urging him to come up to Montreal so as to see Mr. Mercier before he left and come to an understanding. After further correspondence by letter and telegraph Pacaud went to Montreal, where he met C. N. Armstrong at the Windsor at 11 o'clock at night. The Premier, some of his ministers and Mr. Pacaud were leaving for New York next morning, so it was arranged that Armstrong should take the train as far as St. Johns and that Pacaud should endeavor to procure the acceptance of his offer before they reached that town, which is about twenty-seven miles from Montreal. There Pacaud told him he had no doubt the matter could be arranged satisfactorily. Pacaud went on to New York and Armstrong returned to Montreal. Telegrams were exchanged between them and on the 17th—four days after Mr. Mercier sailed—Pacaud informed Armstrong that he was definitely off with McDonald and asked him to go down to New York to meet the ministers. On the 19th of March Mr. Thom and Mr. C. N. Armstrong meet Mr. Pacaud, the Hon. Mr. Robidoux and the Hon. Charles Langelier at the Brunswick hotel. Here the terms of Mr. Pacaud's remuneration were settled. Armstrong offered him \$75,000, Pacaud at once demanded \$100,000, to which Armstrong agreed without demur. This essential preliminary having been settled, the assurances of the ministers and Pacaud as to the affair going through were easily obtained—five minutes was sufficient.

MR. THOM MAKES A FORMAL OFFER.

As Messrs. Robidoux and C. Langelier were absent from Quebec and did not return until the middle of April, no formal offer on the part of the Cooper-Thom syndicate was laid before the Government for some time. On the 17th of April Mr. Thom wrote Mr. Garneau a letter containing the proposal at length which was ultimately embodied in the order-in-council of the 23rd of April. His offer is as follows:—

1. The new syndicate to complete the first 100 miles before the 31st of December, 1892. As guarantee for such completion and subsequent running, a deposit of \$50,000 of the company's bonds to be made with the Government, the bonds, however, to be returned on the completion and equipment of the hundred miles.

2. The Government to pay \$260,000, the balance of subsidies granted by 45 Vic. cap. 23 and its amendments and 51-52 Vic. cap. 91, sec. 12.

3. The Government to pay \$50,000 subsidy for the bridge over the Cascapédia.

4. The Government to pay \$380,000, being the subsidy of 800,000 acres of land converted into cash, at 70 cents per acre, in lieu of 35 cents (as appears by the correspondence exchanged between Mr. Thom and Mr. E. Moreau, the director of railways, under date of the 25th of April), this sum to be applied by the Government, first, in paying "the legitimate and privileged claims in accordance with the act 54 Vic., cap. 88, existing against the road or against the company, the surplus, if any, to go to the new company,"—uncontested claims to be settled before the 10th of May.

This letter went before Mr. Garneau, the acting premier, acting treasurer, and commissioner of public works, on Saturday, the 18th of April. On Monday, the 20th, Mr. Garneau accepted the proposal, embodied it in a report to the executive council of that date, which on the 23rd being approved by the Lieutenant-Governor, became an order-in-council. The only alteration suggested by Mr. Garneau and adopted by the order-in-council, is one in favor of the syndicate by releasing them from their proposed obligation to run the road.

It is worth while here to leave the narrative for a moment, to contrast the

RESPECTIVE MERITS OF THE TWO OFFERS

from an honest government point of view and also to examine the legality of the order-in-council. Had the McDonald offer been accepted the province would have paid \$450,000—\$200,000 when twenty miles were built and the balance when the bridge and work were completed. Under this offer, all debts for which the company and its contractors were liable would have been settled by Mr. Heaton Armstrong—the bonds of the company would have been made marketable by his deposit of \$840,000 and the permanent running of the road ensured. By the acceptance of the Cooper-Thom syndicate proposal, the executive, as far as in them lay, pledged the province to pay \$590,000, if we take the conversion at 35 cents, \$870,000 if we take the conversion at the special rate of 70 cents, as agreed to by Mr. Garneau and his subordinates, as the correspondence produced apparently evidences, and this with-

out any attempt to exact proper security for the payment of the company's debts, due to contractors, or for the sufficient equipment and continuous running of the road.

THE FAMOUS ORDER-IN-COUNCIL.

Now as to the legality of the order-in-council—that is supposed to rest on the statute 54 Vic. chap. 88, the special terms of which have been cited above. It needs no special knowledge of law to arrive at the conclusion that this act as being *in pari materia* is to be construed in connection with other and previous provincial legislation bearing on the subject of railway subsidies. Indeed by its terms it must be so construed, for under section 7 it is provided that "it shall be lawful for the Lieutenant-Governor-in-council to revive the provisions contained in section 14 of the Act 51-52 Vic. chap. 91 in favor of the railway companies to which subsidies are hereby granted," among which railways is, of course, the Baie des Chaleurs railway. On reference to the latter act section 14, we find that the Lieutenant-Governor-in-council may convert land subsidies into money subsidies on certain conditions, one of which is a resolution of the board of directors duly communicated to the Commissioner of Public Works declaring the company's option, and this act in turn refers to 49 Vic. chapter 76, which again enacts that no subsidy shall become due or payable whether in land or money unless and until ten continuous and uninterrupted miles of the road are completed and accepted on the report of the Government engineer. If these acts are read together, as they must necessarily be, it is apparent that under the true construction of the grant of 800,000 acres of land under the act of 1890 to the Baie des Chaleurs railway, a resolution of its board of directors should have been obtained asking for the conversion, and no order-in-council should by its terms have gone further than to promise the payment of the conversion money, if demanded, as each ten mile section was completed. If this be so, the order-in-council from first to last is illegal, and this is the view of the law which Mr. Mercier took in his recent examination before the commission, though it differs from his views expressed on the subject in his letter to the Lieutenant-Governor. Again the order-in-council in a minor degree is unquestionably illegal in extending the nature of the debts to be paid from the "privileged debts" mentioned in the act to

the "actual debts" mentioned in the order-in-council. And lastly, it is again illegal in this. By the act the payment of the privileged debts by persons claiming that they were in a position to carry out the work, &c, was for the security of the Government, a condition precedent which had to be discharged by such persons to the satisfaction of the Lieutenant-Governor-in-council, before they could call upon the Government to pay the subsidy granted by the statute as each ten mile section was built. It has been urged and with some plausibility, that the grant in question is a special one, and that consequently previous legislation on the subject of conversion of land subsidies into money does not apply. Mr. Robidoux and his deputy, in their opinions hereafter alluded to, assume this to be the case. Let us grant it. Now the statute provides for the giving of land, not cash, and if this is a special subsidy, as these gentlemen venture to assert, and if previous legislation on the subject of conversion does not apply, where is the shadow of authority for giving a dollar in money instead of an acre of land. We should have thought it was not in human dullness to have missed this, but it seems to have escaped the attention of the law officers of the Crown.

STRONG PRESUMPTIONS OF CONNIVANCE.

There is a further obvious illegality in the order-in-council in another respect. The subsidy was for the construction and completion of the 80 miles from Cascapedia to or near Gaspe basin. Mr. Thom's proposal is only to build the 40 miles from Cascapedia to Paspebiac, and the bonds which are offered as a guarantee are to be returned after this 40 miles have been built. It is true he says the company will construct the remaining 40 miles as far as Gaspe basin as soon as circumstances will permit. And the Government, with this vague assurance, inserted, it seems, by Mr. Chrysostome Langelier, at a meeting of the executive, and which any lawyer will say is not worth a straw, pays over the money which the statute especially devotes to the construction of the whole 80 miles, having secured only for the province an agreement that 40 miles will be built. It is impossible that, with their experience from day to day, obvious reflections of this nature should not have occurred to Mr. Garneau and his assistants in the Railway department. That they did so is plain, for Mr. Garneau appears to have applied to the Attorney-General for advice. The Attorney-

General, it seems, is able to give his opinions, such as they are, by proxy, for we find in the record under date of the 20th of April, the day Mr. Garneau's report was made, a letter signed J. E. Robidoux per Charles Langellier, to the effect that Mr. Thom's proposition is in all respects agreeable to law. Fortified by this Mr. Garneau caused the order-in-council to be passed. Mr. Garneau still seems to have had misgivings, for under date of the 24th of April, we find another opinion in the record, this time that of the Assistant Attorney-General, who at great length expresses his views that the order-in-council passed at 5 o'clock in the evening of the preceding day, was in all respects legal. And his opinion is in turn endorsed by a letter of the same date from the Hon. Francois Langellier, who approves the opinion of the Assistant Attorney-General. He could not but approve it, as he wrote it himself. What, then, induced Mr. Garneau to recommend in such haste the adoption of a proposal which he evidently suspected to be grossly illegal and which he undoubtedly knew to be improvident and unjust? The only reply to this question is the pressure exerted upon a weak man by the stronger minds of Mr. Pacaud, the Langelliers and Mr. Robidoux. Mr. Garneau's memory, he tells us, is very defective, and he does not in his examination make any effort to stimulate it, but he told enough to let us know that he was, as he informed the Lieutenant-Governor, so harassed that he seriously contemplated resigning. Unfortunately in lieu of taking the honorable course, Mr. Garneau yielded. The pressure must have been great which would lead a man in his position in the Government, in the absence of his chief on an important mission, to seriously consider the propriety of throwing the country into confusion, and necessitating by his resignation the return of Mr. Mercier. We have now the promises made by Messrs. Pacaud, Langellier and Robidoux in the New York hotel carried out as they undertook on their return, and thus far Pacaud's wages were earned.

PAYMENT HAD NOW TO BE OBTAINED.

No sooner was the order-in-council passed than the efforts of Mr. Pacaud and Mr. Thom were exerted to materialize it into money. The resources of the province appear at the time to have been limited, and anxious enquiries at the Treasury department elicited the discouraging reply that no

funds could be confidently reckoned upon until the payment of the Dominion subsidy in July. As we have seen, on the true construction of the statute, the Cooper-Thom syndicate were bound to pay the debts themselves and were only entitled to a *pro rata* payment on completing each ten mile section of the road; and Mr. Garneau appears to have had some apprehension of this position, which according to the evidence of Mr. Machin, the assistant treasurer, was brought forcibly and distinctly before him. Another legal opinion was necessary to overcome his scruples and meet his objections, and it was obtained with celerity—in this instance from Mr. Robidoux, the attorney-general—on the 28th of April, in which that gentleman stated that if the money specified in the order-in-council was not at once forthcoming to Messrs. Cooper and Thom, the Crown in this province would be liable in damages for all profits which the new syndicate might under any circumstances have made out of the road, Mr. Robidoux further adding that though unfortunately not able to be present when the order-in-council was passed, he entirely acquiesced in its policy and propriety. On the 24th of April, Mr. Garneau, by letter, instructed Mr. J. Chrysostome Langellier, who had been named a special commissioner by an order-in-council of the previous day, to examine into and decide what claims should be considered as privileged debts legitimately due by the company or its contractors, and to furnish detailed statements of such claims, upon receipt of which Mr. Garneau undertook to place Mr. J. Chrysostome Langellier in funds to discharge them.

DEALING WITH THE ARMSTRONG CLAIM.

From the accounts and correspondence Mr. J. Chrysostome Langellier appears to have dealt with all claims, except the Armstrong one, in a fair and business-like manner, and according to the routine of the department; but on the day before these instructions were received, that is on the very day the order-in-council was passed, Mr. J. Chrysostome Langellier wrote to Mr. Thom transmitting for his approval, as the terms of the order-in-council required, the account of Mr. C. N. Armstrong against the company to the amount of \$298,943.62, and by return of mail received Mr. Thom's letter refusing to approve the account for more

than \$175,000. It will be remembered that Mr. Thom, in his evidence before the commission, states that he was aware that C. N. Armstrong and the promoters could have been settled with for \$75,000, and that the company he represented had a contingent interest in any excess after the payment of the debts. It is clear that Thom spoke the truth when he swore that he only certified for the extra \$100,000, in consideration of the extraordinary terms his syndicate was getting from the Government. At the same time Thom forwarded to Langelier, to be filed in the Railway department, a memorandum from the secretary-treasurer of the company—an informal memorandum—to the effect that Cooper and his nominees were shareholders, holding a controlling amount of the stock. The transfer, as we shall subsequently find, was obtained on credit. While Mr. Thom states that he did not know, and took care not to know, what Pacaud's share was to be, he must be a duller man than he appears to be, if he had not a very shrewd suspicion. That he appreciated the power he had gained over the ministry, and framed his pecuniary demands accordingly, is plain from the letters exchanged between him and Mr. Garneau under date of the 15th and 16th of June, that is, before the public had learned any part of the truth in the Baie des Chaleurs matter, in which Thom asks and is promised a doubling up of subsidies to the extent of \$70,000. All was now ready except to draw the money. Armstrong, Riopel and company were provided for; Pacaud was provided for; the small creditors, Mr. Mercier's constituents, were provided for; legal action, the interests of the province, and the just claims of McFarlane and his creditors, repeatedly brought under the notice of the department, were all entirely ignored. But again a difficulty occurred. Mr. Garneau was reluctant to issue letters of credit, which afforded the only means of raising funds, and it was only by the threat on the part of Mr. Pacaud—a man of no official position and of half Mr. Garneau's age—that he would cable to Mr. Mercier, who would compel Mr. Garneau to act, that he at last consented.

PACAUD AND THE LETTERS OF CREDIT.

On the 27th of April Mr. Garneau wrote Thom that a letter of credit for \$175,000 would be issued on the following day, and about the same time Mr. Ernest Pacaud had an interview with Mr. Webb, cashier of the

Union bank, to ascertain upon what terms his bank would discount the letter. On Mr. Webb stating that his bank was disposed to take \$100,000 of the amount, if the National bank would take the balance, Mr. Pacaud stated that he would have two letters drawn out in favor of the two banks for the respective amounts agreed upon. Accordingly, on the 28th, Mr. Garneau addressed two letters, one to the cashier of the Union bank, the other to the cashier of the National bank, requesting them to credit Mr. J. Chrysostome Langelier with \$100,000 and \$75,000 respectively, which amounts the province would make good on or before the 10th of July, 1891, with interest at five per cent. from the 1st of June. There seems to be some difference of opinion as to how these letters reached the respective cashiers, but it is certain that their arrival was both preceded and followed by Mr. Pacaud and Mr. Charles Langelier. The manager of the National bank, after consulting his board, discounted the letter of credit for \$75,000, and on the 29th of April placed the proceeds of the discount, \$74,111.64 to the credit of the Commissioner, Mr. J. Chrysostome Langelier, who was not to draw against this sum until the first of May, it being also agreed that \$2,250 should be retained by the bank to ensure payment of the interest, if not met at maturity. We shall deal with the disposition of this sum later on. With respect to the Union bank, Mr. Webb, the cashier, was at first disposed to discount the \$100,000 letter of credit and agreed to do so. To be certain of his position, he sent for and obtained a copy of the order-in-council referred to in the letter. Circumstances, with which he was acquainted and conversations which he had with Mr. Pacaud, led him ultimately to alter his determination. Promissory notes of Mr. Pacaud for large sums, several of them bearing the endorsement of the Hon. Mr. Mercier, the Hon. Francois Langelier, the Hon. Charles Langelier and of Senator Pelletier were about to mature at his bank, one at least of these being a renewal representing advances made some time before. Mr. Pacaud, before the bank had completed the arrangement to discount the letter, brought in five cheques of the Commissioner J. G. Langelier, each for \$20,000 in favor of Charles N. Armstrong and endorsed by the latter to Mr. Pacaud, the then holder. To induce Mr. Webb to make the discount, Mr. Pacaud told him that the proceeds of these cheques

would be applied in the first instance to retiring all his current paper endorsed as above stated. He added that \$40,000 or \$50,000 of the balance was his own personal money, that either \$10,000 or \$20,000 (Mr. Webb is not sure of the amount) was to go to the Hon. Charles Langelier, and that \$10,000 were to be applied in paying off an obligation due to Hon. Mr. Robidoux. Mr. Pacaud stated that Mr. Charles Langelier and himself wished the respective amounts coming to them to be placed to their credit in special accounts, and that they were prepared to give written undertakings that no portions of these deposits would be drawn until the bank was put in funds by the province paying the letter of credit. In other words, Mr. Pacaud's proposal was, that if the bank would make certain entries in their books representing transactions which would only occur for the most part on paper, they would, without parting with much money, earn a substantial discount on a sum of \$100,000.

THE BANKER'S SUSPICIONS.

On review of all the circumstances, the bank authorities came to the conclusion that they were asked to become parties to a scheme by which public moneys were to be misapplied and declined to enter upon or lend themselves to the transaction. From the evidence of Mr. Lafrance, cashier of the National bank, it appears that Mr. Pacaud and Mr. Charles Langelier took the rejected letter to the National bank, where they endeavored to have it discounted, but without success. On the 16th of May the letter of credit was returned to the Union bank, and Mr. Webb advised Mr. J. C. Langelier, by letter, that he held it for collection only on his account.

We shall now deal with the disposition of the \$74,111.64 placed by the National bank at the credit of Mr. J. Chrysostome Langelier, commissioner. On the 28th of April, the day of the discount which was made between five and six o'clock in the evening after bank hours, he drew three cheques in favor of Armstrong, one for \$31,750 which went to Thom, a second for \$24,000 which Armstrong endorsed and Thom handed to Mr. Robitaille, the president of the company, and a third for \$16,000 which Armstrong also endorsed and Thom handed to Mr. Riopel. The balance with the exception of \$111.64, was drawn out in July when the letter of credit was paid. These gentlemen appear to have been in attendance at Quebec, for

the cheques were cashed by them early on the 1st of May. The promoters, who had put nothing in, took a good deal out, and Armstrong, debtor both to the company and McFarlane, will probably pocket a substantial cheque. The business promptitude of the commissioner is to be remarked. The cheques to Riopel and Robitaille, of course, paid for the transfer of their stock, and so the province, in other words, paid to put the Cooper-Thom syndicate in gratuitous possession of a valuable enterprise.

PACAUD AND HIS BOODLE.

We now turn to Mr. Pacaud and his five cheques for \$20,000 each. The proof shows that he and Armstrong entertained an undoubtedly well founded mistrust of each other. Pacaud evidently was convinced that if Armstrong ever got hold of the cheques, the arrangement so quickly entered into might, perhaps, escape his memory; and so Mr. Langelier, the commissioner, Armstrong and Pacaud met shortly after the letters of credit were issued in Pacaud's office, where the docile commissioner prepared the cheques in the form dictated by Pacaud, and Armstrong endorsed them over without leaving the office. The cheques, it will be remembered, were drawn upon a bank in which the commissioner had then no account. Mr. Pacaud had now the cheques. The next thing was to turn them into money, at least in part, and to protect his interests by having the amount they represented apparently placed to his credit. This was necessary on two grounds. First, if the funds remained in the possession of the Government commissioner the matter might have leaked out before the 10th of July, and public opinion, if it exists, might have exacted the institution of proceedings to prevent his touching them. Secondly, money was absolutely necessary to take up paper to the extent of over \$30,000 immediately maturing in various banks, for the payment of which his political friends the Hon. Mr. Mercier, the Langeliers and Pelletier were responsible. These gentlemen, though quiet prepared to lend their endorsement for political purposes, had not, doubtless for good reasons, considered it worth their while to make the slightest provision for the payment of their liabilities. Judging too by the accounts submitted by him, Pacaud's tastes were expensive; he and his friend the Provincial Secretary were both building houses and

money was required. These considerations account for his evident desire to have the \$100,000 letter of credit discounted, and lead us to understand the motives which induced him to tempt Mr. Webb by the offer of payment of discount upon \$100,000 when a cash advance of only about \$40,000 was asked from him. As, however, Mr. Webb refused to comply, other steps had to be taken, and the assistance of Mr. P. Vallieres was called in. That gentleman, on the security of two of the cheques and on receiving the substantial bonus of \$1,000, agreed to lend his endorsement on notes for an equivalent amount, payable at three months, and these notes were ultimately discounted on the usual terms by the National and Peoples banks. Funds were essential, the double discount was immaterial. At the same time the Attorney-General, Mr. Robideaux, was employed by Pacaud to hawk a third of the cheques for \$20,000 round the banks in Montreal. "Donne moi tes papiers," said the hon. gentleman to his friend, "et je ferai mon possible pour t'obliger." The Montreal banks however were shy, and the three cheques had ultimately to abide the slower process of collection. For private reasons the cashier of the Peoples bank was at first disinclined to make the advance, but on being promised by the Hon. Charles Langelier, who, as usual, was casually present on the occasion, an additional deposit of \$50,000 from the ten million loan which was being negotiated, he consented. On the 9th of July, the Union bank, upon the letter of credit for \$100,000 being taken up out of the Dominion subsidy, placed that amount to the credit of Mr. J. Chrysostome Langelier, the commissioner, and, it is needless to say, it was all chequed out on the same day—\$60,000 going to Pacaud's own account. Now what did Pacaud do with this money? Money, as he and his counsel pretend, the legitimate result of the exertion of his political influence during half dozen interviews. Money, as the public must realize, dishonestly obtained, or in other words stolen. Did he keep it, or did he divide? Let his own accounts tell the story:

Classified statement of the expenditure of the \$100,000 and the \$8,500 which, Mr. Pacaud alleges, Hon. Mr. Mercier, on the latter's departure for Europe, left with him. All as taken from Mr. Pacaud's accounts:—

[1] Hon. Messrs. Mercier, C. Langelier, F. Langelier and Hon. Senator C. A. Pelletier.

Payments made in retiring three notes made by E. Pacaud and endorsed by them, proceeds of which were used for election purposes. Upon which all, as between themselves were liable, share and share alike. \$15,000 00

[2] Hon. Messrs. Mercier, C. Langelier, C. A. P. Pelletier and Mr. J. Israel Tarte, M.P.

Payments made in retiring two notes made by E. Pacaud and endorsed by them, proceeds of which were used for election purposes. Upon which all, as between themselves were liable, share and share alike. 8,000 00

[3] Hon. Mr. Mercier.

Payments made to and on account of Hon. Mr. Mercier. 6,788 29

[4] Hon. Mr. C. Langelier.

Payments made to and on account of Hon. Mr. C. Langelier. 9,291 23

5. Hon. Mr. Duhamel.

Payment made to Union club for Hon. Mr. Duhamel's entrance fee, 100 00

6. Members of the Legislature.

Payments made to members of the Legislature, not members of the Cabinet 1,582 54

7. Mr. J. Israel Tarte, M.P., and Hon. C. Langelier.

Payment of Mr. Tarte's note endorsed by Hon. C. Langelier, proceeds of which were for the Montmorency election. 2,000 00

8. Tarte-McGreevy enquiry.

Payments made on account of this enquiry. 1,900 00

9. Political expenditure.

[a] Newspapers and campaign literature. 4,850 00

[b] Election expenses. 2,000 00

[c] Revision voters' lists. 315 00

[d] Expenses of election petitions. 1,560 00

[e] Articles in *L'Electeur* not paid for by its proprietors, Belleau & Co., but by E. Pacaud, personally. 814 00

Miscellaneous sundries. 957 54

Total political expenditure. \$10,496 58

10. Personal:—

[a] House—

Purchase price. 8,000 00

New York architect, fee. 1,000 00

Quebec architect, fee. 300 00

Alterations, etc. 2,548 39

[b] P. Vallieres, endorsing notes secured by Government letter of credit. 1,000 00

(c) Legal adviser. 1,250 00

(d) Trip to Europe, August 1891. 3,340 00

(e) Share in mile. 1,136 55

(f) Drafts, C. N. Armstrong. 2,000 00

(g) Special steamer to Murray Bay. 100 00

(h) Personal cheques. Drawn for an expenditure of which an account is given. 4,243 94

Drawn for personal use in cash and of which no account is given. 2,987 56

Total personal. \$27,906 74

Grand total. \$38,063 38

MONEY IN HAND.

Peoples bank, savings bank	\$447.85
Peoples bank, guarantee of dis- count	3,000.00
Union bank	90.41
Union bank, branch	55.25
Merchants bank	62.74
National Park bank, New York....	20,000.00
Cash	1,800.00
Total	\$25,456.25

Payments on account Hon. H. Mercier.

Mars 11—P. Campbell,	19 00
Avril 15—Institut Canadien	4 00
29—Club Union	100 00
20—Monument Champlain	34 20
30—Subscription Fortre Hotel...	500 00
Mai 8—Jos. C. Lloyd	75 00
11—Contestation Maskinongé	250 00
14—Quebec & Levis Elec. Light Co.	39 00
14—Traito sur Paris	5,000 00
15—Contestation Maskinongé	250 00
June 1—Allan Line	28 35
1—Donane, Colby, Broker.	119 31
2—Allan Line	11 84
30—Jos. C. Lloyd	75 00
July 6—Allan Line	15 93
7—Donane, Colby, Broker.	227 19
9—Duty & charges, Colby, Broker	16 96
22—Allan Line	12 16
22—Allan Line	10 55
Total	6,788 29

Payments on account of Hon. Chas. Langelier.

1891.	
May 8—Paid Frs. Parent, contractor..	\$918 23
9—Deposited to Hon. Chs. Lange- lier's credit in Union Bank, Savings Dept., Upper Town...	200 00
12—Call Fortress Hotel Co.	500 00
26—J. B. Morin	17 60
June 3—Him	555 40
July 11—Deposit La Banque du Peuple in C. Langelier's account	3,000 00
21—do	500 00
21—Him	1,500 00
22—Note dated 16th June, due 19th inst	1,600 00
Aug. 10—Him as a deposit	500 00
Total	\$9,291 23

Payment on account Hon. G. Duhamel.

1891.	
Aug. 9—Union Club Entrance Fee	100 00

Payment of notes endorsed by Hon. H. Mercier and Hon. C. Langelier, Hon. F. Langelier and C. A. P. Pelletier.

1891.	
May 6—La Banque Nationale for note dated 23th February, due 1st May	\$5,000 00
15—La Banque Nationale for note dated 15th April due 18th May	5,000 00
July 22—La Banque Nationale for note dated 1st April due 4th Aug.	5,000 00
Total	\$15,000 00

Payment of Notes endorsed by Hon. H. Mercier, J. Israel Tarte, Hon. Chs. Langelier and Hon. C. A. P. Pelletier.

1891.	
July 11—La Banque Nationale, note dated 10 March, due 14 July..	\$ 5,000 00
11—Union Bank of Canada, note dated April 1st, due 4 August.	3,000 00
Total	\$ 8,000 00

Payments to or on account of Members of Legislative Assembly not Members of the Cabinet.

1891.	
May 8—La Banque du Peuple, note A. F. Carrier, M.P.P. for Gaspé, due 6th	\$ 400 00
13—La Banque du Peuple, note F. G. M. Déchene, M.P.P. for county L'Islet, due 31st	150 00
15—W. G. Desbarats, note A. F. Carrier, M.P.P.	150 00
29—La Banque Nationale, for two notes made by A. F. Carrier, M.P.P., dated 24th March, due 27th May	400 00
June 3—Subscription Union Club, F. X. Lemieux, M.P.P., Levis...	100 00
22—A. Turgeon, M.P.P. for Belle- chasse, to be handed Turgeon's father for election expenses ..	152 54
July 13—O. Demarais, M.P.P. St. Hy- acinthe, for election purposes ..	230 00
Total	\$ 1,582 54

J. Israel Tarte, (Election).

1891.	
May 6—La Banque du Peuple, note made by Hon. C. Langelier, endorsed J. Israel Tarte.— Election expenses J. Israel Tarte, Montmorency county..	\$ 2,000 00

Payments on account of Tarte-McGreery Enquiry.

1891.	
May 11—La Banque du Peuple for note dated 31st March, due 3rd June, made by J. Israel Tarte, endorsed by Hon. F. Langelier and E. Pacaud	\$1,000 00
12—Union Bank of Canada, for note dated 21st April, due 14th May, made by J. Israel Tarte, endorsed by J. Israel Tarte, C. Langelier and E. Pacaud...	400 00
27—C. A. Geoffrion, Q.C., on ac- count services	500 00
Total	\$1,900 00

Newspaper and Campaign Literature.
Daily Telegraph, Quebec.

May 6.	—La Banque du Peuple, for note Jos. Carrel, Proprietor. (demand). \$150.00			
July 2.	—Frank Carrel, Prop...	10.00		
6.—	do do do ..	10.00		
13.—	do do do ..	10.00		
25.—	do do do ..	10.00		
Aug. 3.—	do do do ..	10.00		
13.—	do do do ..	10.00		
Oct. 9.—	do do do ..	10.00		
9.—	do do do ..	10.00		
9.—	do do do ..	10.00		
9.—	do do do ..	10.00		
				\$250.00

L'Evenement, Quebec.

May 9.--Balance Political Literature.	\$1000.00	
July 24.--Discount Government Draft.	3000.00	<u> </u>
		\$4000.00

Louisville Courier.

May 14.—Subscriptions to E. Desaulniers.....	\$ 100.00
July 30.—C. W. Parmelee, draft.....	500.00
	\$4850.00

Election Expenses.

1891.		
May 18—Hon. C. A. P. Pelletier, election expenses.....	\$1,000 00	
July 11—Godreau and others.....	1,000 00	
	\$2,000 00	

Revision of Voters' Lists.

May	9—	Jos. Martin	\$25 00
	21—	R. Rinfret, Champlain Co....	50 00
July	2—	A. Corribeau, Quebec East....	20 00
	3—	Jos. P. Roy, Quebec County..	25 00
	6—	Rodolphe Roy, Portneuf Co....	25 00
	7—	L. D. Morin, Quebec Centre....	20 00
	7—	E. Dorion, Montmorency Co..	25 00
	7—	B. Letellier, Quebec West....	20 00
	8—	A. Tessier, Rimouski	25 00
	13—	A. Taschereau, Beauce Co.	25 00
	20—	L. Allain, Chicoutimi Co.	25 00
Aug.	11—	L. F. Pinault, M.P.P., Ri- mouski Co.....	30 00
			\$315 00

Contestations of Elections.

May	27—Deposit Counter Petition Chicoutimi Co. vs. Sir A. P. Caron	\$1,000 00
June	4—F. G. M. Dechene, M.P., expenses making deposit Chicoutimi Co.	30 00
July	3—J. A. Tessier, disbursements..	30 00
	3—C. A. Geoffrion, Q.C., re settling contestations elections for Local Legislature for Counties of Vaudreuil and L'Assomption	500 00
		\$1,560 00

Articles written in L'Electeur not paid for by the proprietor, but by Pacaud personally.

1891.		
May	16—U. Barthe.....	\$30 00
	14—N. Legendre.....	25 00
	21—U. Barthe.....	20 00
	26—U. Barthe.....	50 00
June	13—U. Barthe.....	200 00
	17—Abbe Ladamme.....	15 00
	13—Dr. A. Vallee.....	25 00
	23—U. Barthe.....	25 00
July	10—U. Barthe.....	15 00
	10—Dr. A. Vallee.....	15 00
	17—Abbe Ladamme.....	25 00
	17—U. Barthe.....	50 00
	25—U. Barthe.....	154 04
Aug. Oct.	3—U. Barthe.....	100 00
	5—Errol Bouchette.....	50 00
		\$814 04

Miscellaneous Political Expenses.

May	8—A. Choquette, <i>re</i> Belleau libel case	\$130 00
	23—Loon to J. B. Charleson	75 00
June	26—Elias Mailloux	50 00
Aug.	10—U. Barthe, advance on book	500 00
	29—M. A. Hearn, note J. B. Par- kin	202 54
		\$957 54

E. Pacaud's New House.

1891.		
May 16	L. P. Sirois, N.P., to pay Mrs. Fry for House....	8,000 00
26	L. P. Sirois, N.P., professional account.....	43 92
June 12	L. P. Sirois, N.P., professional account.....	133 00
27	Eloi Picard, on account general contractor for alterations and repairs.....	100 00
July 3	O. Picard, on account plumber.....	150 00
4	Eloi Picard, on account.....	150 00
11	Eloi Picard, on account.....	200 00
Aug. 1	J. A. Belanger & Co. on acc't.....	118 25
3	Eloi Picard.....	300 00
10	Ed. Ficken, N. York, Architect.....	1,000 00
28	E. Tanguay, Quebec, Architect.....	300 00
28	O. Picard, on account.....	1,000 00
28	Eloi Picard, on account.....	239 87
Oct. 2	E. St. Jean.....	113 35
		\$11,848 39

*P. Vallières for endorsing notes secured by
Commissioners Cheques.*

1891		
May	6—P. Vallières for endorsement note at La Banque du Peuple.	\$500 00
	15—P. Vallières for endorsement note at La Banque du Peuple.	500 00
		<u>\$1,000 00</u>

E. Pacaud's Legal adviser.

1891.		
May 11—	Hon. G. Irvine, Legal adviser.	\$150 00
July 3—	Hon. G. Irvine, Legal adviser.	500 00
July 9—	Hon. G. Irvine, Legal adviser.	100 00
Sept. 25—	Hon. G. Irvine, Legal adviser.	500 00
		\$1,250 00

Expenses of trip to Europe in August, 1891.

1891.		
Aug. 10—	Draft on Paris, France.....	\$1,560 00
10—	R. M. Stocking, cash advanced	50 00
10—	Travelling expenses.....	1,000 00
11—	H. & A. Allan, for fare S.S. Parisian.....	210 00
11—	Harris for fare S.S. Tourraine	280 00
23—	Cable remittance to London..	300 00
		\$3,340 00

Share in Mine.

Aug. 23—	Judge C. A. Dugas for share in Mine.....	\$1,136 55
----------	--	------------

Drafts C. N. Armstrong.

June 16—	Draft on demand.....	\$1,000 00
July 21—	Draft at 30 days	1,000 00
		\$2,000 00

Special Steamer to Murray Bay.

Oct. 10—	Powell, Hire of Steamer to Murray Bay.....	\$100 00
----------	--	----------

*Personal Cheques.**1.—Drawn for expenditures of which an account is given and vouchers.*

1891.		
May 11—	W. Learmonth, typewriter...	\$115 00
11—	M. Patenaude.....	20 00
11—	Col. Rhodes, flowers.....	10 00
13—	P. Richard, grocer.....	45 54
15—	F. X. Gosselin, N.P., services.	12 50
15—	Morgan & Co.....	22 50
15—	O. Montreuil.....	14 25
16—	Damase Daigle.....	15 00
16—	Gas Co.....	51 12
18—	A. Livernois.....	25 35
19—	A. Edge, secretary.....	10 00
20—	H. Beutey, wine account.....	425 00
22—	F. Pennée, Life Insurance....	315 00
26—	Belleau & Co., sundries.....	15 35
June 5—	G. N. W. Telegraph Co.....	58 63
8—	P. Richard, grocer.....	35 45
9—	P. B. Dumoulin, for La Banque du Peuple.....	260 00
11—	Belleau & Co., sundries.....	30 00
12—	Colonial House.....	43 22
13—	J. Hetherington.....	39 56
17—	Major Wilson, bet.....	50 00
17—	J. C. More, subn. to Short-Wallick Monument.....	25 00
18—	Belleau & Co., sundries.....	28 78
18—	O. Montreuil.....	9 45
18—	Paul de Cazes.....	50 00
20—	Miss Mayburn.....	25 00
22—	Auguste Edge.....	10 00
22—	J. X. Perreault, subn.....	10 00

June 25—	Wyse & Co.....	3 50
25—	C. Labrecque.....	22 50
25—	W. Jacques.....	29 15
26—	H. Beutey.....	40 00
26—	A. Turgeon.....	6 90
27—	Pruneau & Kirouac.....	18 48
30—	J. D. Chartrand.....	50 00
30—	A. Lavigne.....	37 95
July 3—	A. J. Maxham & Co.....	27 50
3—	Thomas Donohue.....	37 95
4—	Melle, Charbonneau.....	37 00
4—	P. E. Poulin & Co.....	59 00
6—	P. Richard.....	23 22
7—	P. A. Pelletier, Loan.....	20 00
7—	J. O. Rainville.....	75 00
7—	A. Lavigne.....	19 47
8—	Turcotte & Prevost.....	50 25
10—	Mde. Lemieux, Florist.....	15 00
10—	Casgrain, Angers & Lavery...	208 89
13—	Col. Rhodes, Flowers.....	1 80
13—	J. Gunthier & frere.....	100 00
13—	A. Buchanan.....	75 00
14—	Belleau & Co., Sundries.....	29 00
23—	Bibliothèque Française.....	11 25
13—	U. Plourde.....	25 00
21—	F. X. Warren.....	24 27
23—	A. Edge.....	10 00
24—	F. Pennée, Life Insurance....	212 50
25—	Glover Fry & Co.....	235 36
30—	B. Simson.....	5 00
30—	Belleau & Co., Sundries.....	21 71
30—	A. Edge.....	15 00
Aug. 6—	Dr. C. A. Verge.....	70 00
6—	T. Marrier.....	28 30
6—	G. N. W. Telegraph Co.....	11 17
6—	Geo. Hough, Livery.....	20 00
7—	J. D. Anderson, Tailor.....	20 00
8—	Union Club.....	12 00
8—	A. Edge.....	5 00
10—	G. Seiffert.....	50 00
11—	A. Edge.....	30 00
11—	J. Boiteau.....	40 00
11—	Protest charges.....	2 54
28—	Cable to London.....	5 75
28—	Louis Rainville.....	100 00
28—	Cable to London.....	5 50
28—	Interest.....	13 30
Sep. 29—	A. Gineras & Co.....	65 46
30—	G. N. W. Tel. Co.....	6 11
30—	Belleau & Co., Sundries.....	80 85
Oct. 1—	F. X. Warren.....	157 56
1—	John Warren.....	17 02
2—	T. K. Lizzette.....	16 10
6—	G. N. W. Tel. Co.....	6 15
2—	Telegram.....	0 87
2—	Chas. Deguise.....	100 00
		\$4,243.94

*Personal Cheques.**2. Drawn for personal use and for which no account is given.*

1891.		
May 6—	Personal use.....	\$ 500 00
8—	do.....	100 00
9—	do.....	40 00
11—	do.....	50 00
15—	do.....	100 00
16—	do.....	100 00
19—	do.....	50 00
21—	do.....	50 00
26—	do.....	550 00
29—	do.....	25 00

June 1—	do	.....	300 00
4—	do	.....	100 00
5—	do	.....	30 60
8—	do	.....	30 00
9—	do	.....	30 00
25—	do	.....	50 00
27—	do	.....	50 00
30—	do	.....	50 00
July 8—	do	.....	50 00
9—	do	.....	16 86
11—	do	.....	18 00
22—	do	.....	160 00
22—	do	.....	23 00
29—	do	.....	30 00
30—	do	.....	100 00
Aug. 6—	do	.....	100 00
10—	do	.....	45 00
Sept. 30—	do	.....	300 00

\$ 2,937 86

OBSERVATIONS ON THE ACCOUNTS.

We shall not attempt to analyse these accounts in detail—they speak for themselves—but a few general remarks are not out of place. Out of the Baie des Chaleurs money, the Hon. Mr. Mercier, subject to his explanation, to which we will subsequently advert, received no less than \$6,788.29. The Hon. Charles Langelier, the provincial secretary, received \$9,291.23, so that on Mr. Pacaud's statement to Mr. Webb the Provincial Secretary is still some \$700 or \$800 short. The Commissioner of Crown Lands, Mr. Duhamel, who announced to Pacaud and Langelier, who were waiting at the door, the glad tidings of the signing of the letters of credit was gratified, at the cost of \$100, with a free ticket of admission to the Union club. One thousand five hundred and eighty-two dollars and fifty-four cents were laid out for the benefit of the various members of the Legislative assembly of Quebec, not members of the executive. Mr. Tarte, a member of the House of Commons, was enabled by funds misappropriated from the province to prosecute his search for offenders in Ottawa; and, lastly, the paper floated for political purposes by Pacaud, the Premier, the Provincial Secretary, the Honorable Francis Langelier and Senator Pelletier, for which all were jointly responsible as between themselves, amounting to \$33,000 and for the redemption of which none of them had provided a penny, was taken up without any of these statesmen being called upon for a farthing. The balance, it will be found, is in the neighborhood of \$40,000, which Pacaud informed Mr. Webb was to be his own personal money, and for which possibly he was not bound to account to Mr. Mercier.

in the personal expenditure of course figures the expense of the European voyage, taken by Pacaud when his presence was required before the Senate, a New York architect's fee of \$1,000 to make the home purchased with his money habitable for him, and the cost of a steamer specially chartered to convey the family of the possessor of political influence back from the seaside.

MERCIER'S EXPLANATION ANALYZED.

It is just to state that Mr. Mercier explains that the amount received by him out of the Baie des Chaleurs money was covered by two cheques for a large amount on the Caisse d'Economie, which he had entrusted to his agent, Mr. Pacaud, to be used for his personal benefit during his absence in France, the proceeds of which Mr. Pacaud had mixed up with what he terms his money. But in view of the circumstances of the case, in view of the fact that Baie des Chaleurs money was sent to him after he had probably learned both from Mr. Garneau and Mr. Charles Langelier that the affair had gone through (the letters of both these gentlemen being, unhappily, destroyed); in view, too, of his statements to the Governor that he was entitled to have this money remitted to him out of the proceeds of the discount of blank endorsements entrusted by him to Senator Pelletier, it is also just to say that something more than a simple assertion was absolutely necessary. Mr. Mercier was bound to do what he refused to do, that is, to produce his accounts and those of Pacaud from the beginning, to establish his assertion. A proper sense of what was due both to his character and position would have led him to this course, could it have been safely adopted; and as he has not taken this course, we are entitled to say that he has directly benefited pecuniarily by this dishonest transaction.

It is well to put this more clearly. Mr. Mercier states that on the 2nd of March, three days before the general elections, he entrusted Mr. Pacaud with a cheque for \$5,000, to be remitted to him when in Europe, and that on the 4th of March he gave him a cheque for \$3,500 to be employed in paying local debts, and he now claims that the \$5,000 remitted to him in Paris by Pacaud, on the 15th of May, was paid from this source. The proof shows that there were no funds in the Caisse d'Economie to meet the last cheque, and Mr. Mercier's private secretary had to arrange with the manager for an overdraft. It is to be remarked that these

cheques, constituting, as is pretended, a trust fund for future payments, were immediately cashed by Pacaud at the nearest bank to his office, and before acceptance, and the proceeds mixed up with other money standing in his name. These cheques were obviously required and given for election purposes, in view of the fact sworn to by the Hon. Francois Langelier, that on the eve of the election a meeting was held, at which Mr. Mercier was present, when the chief organizer, Mr. Pacaud, reported that he owed \$15,000 for political literature and that he had not money to pay the necessary postage. Mr. Mercier's present position, differing entirely from that taken up by him in his letter of the 15th September to the Governor, is obviously an afterthought, intended to account, in a way not admitting of precise refutation, for the awkward fact of a large sum of Baie des Chaleurs money being at once remitted to him.

NONE OF THE ENDORSERS PAY.

Leaving this personal charge, which is an extremely unpleasant one, it is our duty to point out that while it is not pretended that any provision was made for the payment of the notes to the discharge of which Mr. Mercier and the others were equally bound to contribute, it is also not pretended that any one of them has contributed a sixpence towards reconquering Mr. Pacaud for his expenditure on their behalf. More than six months have passed, they have learned long ago from what source the money came, and, having done nothing, each of them, leading men in the province, have asserted and are asserting that it is a right and proper thing for men in their station to raise money for political purposes which they are not in a position to pay, and to acquiesce in being relieved from their obligations by the use of money improperly obtained from the province. On this head one and all plead guilty.

We here part with Mr. Pacaud. It is, of course, absurd to attach any special importance to the statements of a man who holds Mr. Pacaud's views with respect to other people's property, and so when his narrative differs from that of Mr. Webb, of Mr. Dumoulin, of Mr. J. J. McDonald, Pacaud's version must necessarily go to the wall. And so with Mr. Charles Langelier. Mr. Langelier differs on a somewhat important matter from Mr. Dumoulin—the matter of the premise of the deposit of the \$50,000, although the latter is borne out by a co-

temporaneous letter written to his head office, and he does so in a statutory declaration, which is equivalent to an affidavit. In this statutory declaration, too, asked for by Mr. Mercier, and intended for the guidance of the chief executive officer of this province, Mr. Langelier resorts to a miserable paltering with the truth and asserts that because his agent Pacaud deposited \$3,000 for him which he spent, he Langelier is entitled to deny and does deny, all knowledge of the transaction. One can hardly imagine that Mr. Charles Langelier and Mr. Pacaud would be foolish enough to keep Mr. Mercier in the dark, after the proceedings before the Senate and the correspondence with the Lieutenant-Governor; and if they did not, what is to be thought of Mr. Mercier's conduct in writing, as he did, and forwarding the declarations which he enclosed?

MERCIER'S GLARING CONTRADICTIONS.

We now come to the consideration of one or two paragraphs in Mr. Mercier's letter to the Lieutenant-Governor. At page 36 of the official copy of the printed correspondence, Mr. Mercier writes:—

"This Pacaud-Armstrong incident is exceedingly regrettable, and it is my duty to condemn, in the severest terms, the extraordinary bargain into which both of these persons entered; and if my colleagues or myself had been aware of it, all the negotiations respecting it would have been dropped. And it was, doubtless, because they were persuaded of this that these gentlemen took such pains to conceal the fact of this transaction, and to maintain such absolute silence in regard to it, when it would have been very easy for Mr. Armstrong to have made known to the ministers, or to any one of them, the exaction of which he had been made the victim."

We are bound to state that in our judgment this assertion has been proved to be absolutely incorrect.

Again at page 38, Mr. Mercier, referring to the \$5,000 remitted to him at Paris through the National bank, writes as follows:—

"... I am informed that this sum was raised by means of one of the blank cheques which I had left with Senator Pelletier before I started for Europe. I have not had any opportunity of verifying the correctness of either of the two versions. I assure you, however, that, being in Europe, and finding it necessary to possess myself of this amount, I asked for it, in the conviction that it could be raised by means of the blank cheques which I had left before my departure; and naturally, intending to pay myself, whatever proper expenses might be incurred in procuring for me this sum of money, considering that it was to pay my personal expenses. I assure you, also,

that, when I asked for this sum of money, I did not know, and I did not know for a long time after, that the Bale des Chaleurs transaction had been concluded, and that I was not aware, until some time after my return to Canada, and until I read in the newspapers a report of the Senate proceedings, that Mr. Pacaud had obtained a sum of one hundred thousand dollars, or any other sum."

Mr. Mercier's version as already pointed out is utterly inconsistent with his sworn statement before the commission a few days ago, as to the source from which he expected that money. One or other must be incorrect, both may be, and probably are—yet Mr. Mercier's letter to the Lieutenant-Governor bears date the 15th September, two months after his return to this country, after the Senate enquiry had ceased, and after he had had time to make full enquiry. What credit can be attached to the assertion of a man who, in a grave state paper, on a matter affecting his own personal honor, makes a deliberate statement to the chief of the executive which he has to abandon upon reflection through fear of cross-examination? It is an unusual thing for a prime minister, in dealing with the Crown, to support his own statements by statutory declarations made by his ministers and bill-discounters, and we venture to hope that declarations of the Charles Langelier type will, in future, be still more unusual.

THE CONCLUSION OF THE WHOLE MATTER.

It is difficult to relate the story of these transactions truly as we have endeavored to do, without a sense of humiliation and without feeling the disgrace that has been brought upon the province; yet from their demeanor and from the manner in which they gave their evidence, several at least of the principal actors in the drama do not share this feeling. They are naked and not ashamed, and this obvious callousness on their part proves too plainly that the Bale des Chaleurs matter is by no means their first transaction of the kind, but that repeated success in like undertakings has deprived them of the ordinary sense of right and wrong. Till comparatively recently, this was not the case amongst us.

While these and other similar revelations have been and are a source of shame, it is to be hoped, and we believe, that good will arise from knowing the full extent of the evil. The air will be cleared, and we will have again, as we have had in the past, ministries, which, whether Liberal or Conservative, free trade or protection, will consist of honorable men associated together to promote what they believe to be public interest and not of bands of conspirators leagued together for the purpose of public plunder.